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C O N F I D E N T I A L SECTION 01 OF 02 DHAKA 001707

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SUBJECT: CHINESE PM'S VISIT REAFFIRMS STRONG BILATERAL TIES

Classified By: P/E Counselor D.C. McCullough, reasons 1.4 b, d.

1. (C) SUMMARY: The Chinese premier's two-day visit to Dhaka ended with a joint communique, nine accords, and renewed bilateral warmth after last year's tiff over the now-closed Taiwan trade office. The commercial payoff appears to be modest, in part because Bangladesh's economy is increasingly diversified and private-sector oriented. BDG officials welcomed the visit as a counter to Indian pressure on water and other issues. END SUMMARY

ECONOMIC AGREEMENTS

2. (SBU) On April 7-8, PRC Premier Wen Jiabao visited Dhaka to commemorate the 30th anniversary of Sino-Bangladeshi relations. He met with Government, business, and civil society leaders, including Awami League President Sheikh Hasina, to reaffirm China's commitment to a broad bilateral partnership. The nine accords signed during the visit include five agreements, two MOUs, a telecom contract, and an exchange of letters on economic and technical cooperation, agriculture, the Chinese Baropukuria coal mine venture, water management, and the start of direct commercial flights between Dhaka and Kunming. Bangladesh runs a huge trade deficit with China, exporting only \$46 million in a nearly \$2 billion trade relationship, but when Bangladeshis pressed for more concessions, Wen replied that "China is also a poor developing country."

3. (C) On April 11, Chinese Embassy Econ/Commercial Second Secretary Sucai Yang told poloff that the most significant

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agreements were a dollar equivalent 1.5 million project support grant and the dollar equivalent 30.2 million concessional loan for the construction of a di-aluminum phosphate (DAP) plant in Chittagong. The other accords, he said, were "just frameworks" for future hopes, particularly the cooperation agreement on peaceful uses of nuclear energy. He anticipated slow progress in drawing down China's long-term concessional credits for installing digital telephone exchanges in metropolitan cities and other locales and the new agreement to provide 500,000 landlines because of differences among the Prime Minister's Office, the Bangladesh Telecommunications Regulatory Commission, and the Bangladesh Telegraph and Telecom Board.

POLITICS PREDOMINATE

4. (C) The visit was more significant for Bangladesh politically than economically, BDG officials stated. On April 10, PMO Principal Secretary Kamaluddin Siddiqui downplayed to visiting SA DAS Gastright the BDG's interest in Chinese supplier credits by noting that Bangladesh has alternative sources of financing from the IFIs and that "we don't want to be dependent on only their goods--we want the best goods possible." Foreign Secretary Hemayetuddin separately told Gastright that the Wen visit reaffirmed a strong Sino-Bangladeshi relationship and the BDG's one-China policy after last year's tiff over the briefly opened Taiwan trade office. (Note: The BDG decided to allow the trade office after the reported payment of a substantial bribe to the Prime Minister's son and heir apparent, Tariq Rahman.) "Bangladesh opposes Taiwan's membership in any international and regional organizations open to sovereign countries only and fully supports China's peaceful reunification," the BDG publicly stated.

5. (C) Siddiqui welcomed the "very successful" visit as balance to alleged pressure from India on water and other issues, and highlighted language in the joint communique asserting that water disputes should not be settled unilaterally. "We need China when our big neighbor tries to bully us," he said. Longtime China watcher and senior diplomatic correspondent Amir Khasru speculated to poloff that China's interest in Bangladesh partly stems from concern about India regional power aspirations. A joint agreement to build a road through Burma serves a dual strategic and commercial purpose, he said. Khasru claimed there was an unpublicized agreement to sell seven Chinese military aircraft (NFI) to Bangladesh (Note: We have no information to corroborate this claim).

16. (C) Ruling-BNP MP Akmal Yusuf, and member of Parliament's MFA Standing Committee, told poloff the BDG continues to pursue its "Look Asia" policy for strategic and commercial reasons, in part to deflect pressure from India and to make Bangladesh less vulnerable to Western pressure on human rights and governance issues. Yusuf put into this context PM Zia's recent trip to Singapore and the BDG's request for Chinese support to join the Asean Regional Forum (ARF).

Comment

17. (C) Wen is the most important head of government to visit Bangladesh since his predecessor came in 2002. Bangladeshi satisfaction with the visit was heightened by the fact it was seen to refute the Indian claim that Dhaka was too insecure to hold the SAARC summit as scheduled.
THOMAS